

## [CHAPTER 11]

## AN ACT

January 27, 1938  
[S. 2940]  
[Public, No. 422]

To make confidential certain information furnished to the Bureau of Foreign and Domestic Commerce, and for other purposes.

Bureau of Foreign and Domestic Commerce.  
Statistical information furnished to, in confidence; use restricted.  
Examination by Bureau personnel only.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That any statistical information furnished in confidence to the Bureau of Foreign and Domestic Commerce by individuals, corporations, and firms shall be held to be confidential, and shall be used only for the statistical purposes for which it is supplied. The Director of the Bureau of Foreign and Domestic Commerce shall not permit anyone other than the sworn employees of the Bureau to examine such individual reports, nor shall he permit any statistics of domestic commerce to be published in such manner as to reveal the identity of the individual, corporation, or firm furnishing such data.

Penalty provision.

SEC. 2. Any employee of the Bureau of Foreign and Domestic Commerce violating any of the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000 or imprisoned not exceeding one year, or both.

Approved, January 27, 1938.

## [CHAPTER 12]

## AN ACT

January 29, 1938  
[S. 2463]  
[Public, No. 423]

To authorize an additional number of medical and dental officers for the Army.

Army.  
Medical and dental officers, additional number.  
39 Stat. 171.  
10 U. S. C. § 91.  
Post, p. 217.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 10 of the Act entitled "An Act for making further and more effectual provisions for the national defense, and for other purposes", approved June 3, 1916, be amended by providing that on and after July 1, 1937, there shall be officers as now authorized by law, except that there shall be four assistants to the Surgeon General with the rank of brigadier general, one of whom shall be an officer in the Dental Corps, and one thousand one hundred and eighty-three officers of the Medical Corps and two hundred and fifty-eight officers of the Dental Corps, and the authorized commissioned strength of the Army is hereby increased by one hundred and fifty in order to provide for the increases herein authorized in the Medical and Dental Corps.

Increase in authorized Army commissioned strength.

Retirement, credits for service as contract dental surgeons, etc.  
45 Stat. 996.  
10 U. S. C. § 953a.

SEC. 2. That the Act entitled "An Act to authorize officers of the Medical Corps to count certain service in computing their rights in retirement, and for other purposes", approved May 29, 1928, be amended by adding at the end thereof "service as Contract Dental Surgeons and Acting Dental Surgeons shall be credited to the officers of the Dental Corps for the purpose of retirement."

Approved, January 29, 1938.

## [CHAPTER 13]

## AN ACT

February 3, 1938  
[H. R. 8730]  
[Public, No. 424]

To amend the National Housing Act, and for other purposes.

National Housing Act Amendments of 1938.  
48 Stat. 1246.  
12 U. S. C., Supp. III, § 1703.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "National Housing Act Amendments of 1938".

SEC. 2. Subsections (a) and (b) of section 2 of the National Housing Act, as amended, are amended to read as follows:

"SEC. 2. (a) The Administrator is authorized and empowered, upon such terms and conditions as he may prescribe, to insure banks, trust companies, personal finance companies, mortgage companies, building and loan associations, installment lending companies, and other such financial institutions, which the Administrator finds to be qualified by experience or facilities and approves as eligible for credit insurance, against losses which they may sustain as a result of loans and advances of credit, and purchases of obligations representing loans and advances of credit, made by them on and after the date of the enactment of the National Housing Act Amendments of 1938 and prior to July 1, 1939, or such earlier date as the President may fix by proclamation upon his determination that there no longer exists any necessity for such insurance in order to make ample credit available, for the purpose of financing alterations, repairs, and improvements upon urban, suburban, or rural real property, by the owners thereof or by lessees of such real property under a lease expiring not less than six months after the maturity of the loan or advance of credit. In no case shall the insurance granted by the Administrator under this section to any such financial institution on loans, advances of credit, and purchases made by such financial institution for such purposes on and after the date of the enactment of the National Housing Act Amendments of 1938 exceed 10 per centum of the total amount of such loans, advances of credit, and purchases. The total liability which may be outstanding at any time plus the amount of claims paid in respect of all insurance heretofore and hereafter granted under this section and section 6, as amended, shall not exceed in the aggregate \$100,000,000.

"(b) No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by it, if the amount of such loan, advance of credit, or purchase exceeds \$10,000 with respect to loans, advances, or purchases for financing repairs, alterations, or improvements upon or in connection with existing structures, or exceeds \$2,500 with respect to loans, advances, or purchases for financing the building of new structures, nor unless the obligation bears such interest, has such maturity, and contains such other terms, conditions, and restrictions as the Administrator shall prescribe in order to make credit available for the purposes of this title."

SEC. 3. Title II of the National Housing Act, as amended, is amended to read as follows:

"TITLE II—MORTGAGE INSURANCE

"DEFINITIONS

"SECTION 201. As used in section 203 of this title—

"(a) The term 'mortgage' means a first mortgage on real estate, in fee simple, or on a leasehold (1) under a lease for not less than ninety-nine years which is renewable or (2) under a lease having a period of not less than fifty years to run from the date the mortgage was executed; and the term 'first mortgage' means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate, under the laws of the State, district, or Territory in which the real estate is located, together with the credit instruments, if any, secured thereby.

"(b) The term 'mortgagee' includes the original lender under a mortgage, and his successors and assigns approved by the Administrator; and the term 'mortgagor' includes the original borrower under a mortgage and his successors and assigns.

Insurance of financial institutions against losses from loans, etc.

Time limitation.

Financing of repairs, etc., upon real property.

Limitation on amount of insurance.

Total liability.  
49 Stat. 1233.  
12 U. S. C., Supp. III, § 1706a.

Existing structures, limitation.

New structures.  
Interest, maturity, etc.

48 Stat. 1247.  
12 U. S. C. § 1707; Supp. III, § 1709.

Title II—Mortgage Insurance.

Definitions.

"Mortgage."

"First mortgage."

"Mortgagee."

"Mortgagor."

"Maturity date."

"(c) The term 'maturity date' means the date on which the mortgage indebtedness would be extinguished if paid in accordance with periodic payments provided for in the mortgage.

Mutual Mortgage Insurance Fund.  
Creation, use, etc.

"MUTUAL MORTGAGE INSURANCE FUND

"SEC. 202. There is hereby create<sup>1</sup> a Mutual Mortgage Insurance Fund (hereinafter referred to as the 'Fund'), which shall be used by the Administrator as a revolving fund for carrying out the provisions of this title with respect to mortgages insured under section 203 as hereinafter provided, and there shall be allocated immediately to such Fund the sum of \$10,000,000 out of funds made available to the Administrator for the purposes of this title.

"INSURANCE OF MORTGAGES

Insurance of mortgages.

Authority to insure mortgage on application of mortgagee.

Provisos.  
Aggregate amount of principal obligations, limitation.

Restriction on insurance of mortgages after July 1, 1939.

"SEC. 203. (a) The Administrator is authorized, upon application by the mortgagee, to insure as hereinafter provided any mortgage offered to him which is eligible for insurance as hereinafter provided, and, upon such terms as the Administrator may prescribe, to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon: *Provided*, That the aggregate amount of principal obligations of all mortgages insured under this title and outstanding at any one time shall not exceed \$2,000,000,000, except that with the approval of the President such aggregate amount may be increased to not to exceed \$3,000,000,000: *Provided further*, That on and after July 1, 1939, no mortgages shall be insured under this title except mortgages (1) that cover property which is approved for mortgage insurance prior to the completion of the construction of such property, or (2) that cover property the construction of which was commenced after January 1, 1937, and was completed prior to July 1, 1939, or (3) that cover property which has been previously covered by a mortgage insured by the Administrator.

Eligibility requirements.

Approval by Administrator.

Amount of principal obligation involved.

Not over \$16,000 or 80 per centum of appraised value; four-family, etc., dwellings.

Not over \$5,400 or 90 per centum of appraised value; single-family dwelling.

Provisions governing loan.

"(b) To be eligible for insurance under this section a mortgage shall—

"(1) Have been made to, and be held by, a mortgagee approved by the Administrator as responsible and able to service the mortgage properly.

"(2) Involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Administrator shall approve) in an amount—

"(A) not to exceed \$16,000 and not to exceed 80 per centum of the appraised value (as of the date the mortgage is accepted for insurance) of a property upon which there is located a dwelling or dwellings designed principally for residential use for not more than four families in the aggregate, irrespective of whether such dwelling or dwellings have a party wall or are otherwise physically connected with another dwelling or dwellings, or

"(B) not to exceed \$5,400 and not to exceed 90 per centum of the appraised value (as of the date the mortgage is accepted for insurance) of a property, urban, suburban, or rural, upon which there is located a dwelling designed principally for a single-family residence (i) the construction of which is begun after the date of enactment of the National Housing Act Amendments of 1938 and which is approved for mortgage insurance prior to the beginning of construction, or (ii) the construction of which was begun

<sup>1</sup> So in original.

after January 1, 1937, and prior to the date of enactment of the National Housing Act Amendments of 1938, and which has not been sold or occupied since completion: *Provided*, That with respect to mortgages insured under this paragraph the mortgagor shall be the owner and occupant of the property at the time of the insurance and shall have paid on account of the property at least 10 per centum of the appraised value in cash or its equivalent, or

“(C) not to exceed \$8,600, and not to exceed the sum of (i) 90 per centum of \$6,000 of the appraised value (as of the date the mortgage is accepted for insurance) and (ii) 80 per centum of such value in excess of \$6,000 and not in excess of \$10,000, of a property of the character described in paragraph (2) (B) of this subsection and subject to the same limitations and conditions which apply to such property.

“(3) Have a maturity satisfactory to the Administrator, but not to exceed twenty years from the date of the insurance of the mortgage: *Provided*, That until July 1, 1939, a mortgage of the character described in paragraph (2) (B) of this subsection shall be eligible for insurance under this section if it has a maturity satisfactory to the Administrator, but not to exceed twenty-five years from the date of the insurance of the mortgage.

“(4) Contain complete amortization provisions satisfactory to the Administrator requiring periodic payments by the mortgagor not in excess of his reasonable ability to pay as determined by the Administrator.

“(5) Bear interest (exclusive of premium charges for insurance) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed 6 per centum per annum if the Administrator finds that in certain areas or under special circumstances the mortgage market demands it.

“(6) Provide, in a manner satisfactory to the Administrator, for the application of the mortgagor's periodic payments (exclusive of the amount allocated to interest and to the premium charge which is required for mortgage insurance as hereinafter provided) to amortization of the principal of the mortgage.

“(7) Contain such terms and provisions with respect to insurance, repairs, alterations, payment of taxes, default reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Administrator may in his discretion prescribe.

“(c) The Administrator is authorized to fix a premium charge for the insurance of mortgages under this title but in the case of any mortgage such charge shall not be less than an amount equivalent to one-half of 1 per centum per annum nor more than an amount equivalent to 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments: *Provided*, That a premium charge so fixed and computed shall also be applicable to each mortgage insured prior to the date of enactment of the National Housing Act Amendments of 1938 in lieu of any premium charge which would otherwise become due after such date with respect to such mortgage: *Provided further*, That in the case of any mortgage described in section 203 (b) (2) (B) and accepted for insurance after such date and prior to July 1, 1939, the premium charge shall be one-fourth of 1 per centum per annum on such outstanding principal

*Proviso.*  
Mortgagor to be owner and occupant; amount of payment required.

Mortgages within designated brackets.

Maturity; limitation.

*Proviso.*  
Single-family residences.

Amortization provisions.

Interest.

Provisions for application of periodic payments to amortization of principal.

Terms and provisions with respect to insurance, repairs, etc.

Premium charge for insurance of mortgages.

*Provisos.*  
Charge applicable to prior mortgages.

Single-family dwellings; charge.  
*Ante*, p. 10.

Payable by mortgagee.

*Proviso.*  
Payment of one or more premiums when insured.

Acceptance for insurance; prohibition unless economically sound.

Adjusted premium charge if obligation paid prior to maturity.

Refund of current unearned premium charges paid.

Farms and farm buildings.

*Proviso.*  
Expenditure for materials and labor.

Payment of insurance.

To mortgagee, upon foreclosure, etc.

Conditions.  
Conveyance of title to Administrator.

Assignment of claims of mortgagee against mortgagor.

Termination of obligation of mortgagee to pay premium charges.

obligation. Such premium charges shall be payable by the mortgagee, either in cash, or in debentures issued by the Administrator under this title at par plus accrued interest, in such manner as may be prescribed by the Administrator: *Provided*, That the Administrator may require the payment of one or more such premium charges at the time the mortgage is insured, at such discount rate as he may prescribe not in excess of the interest rate specified in the mortgage. If the Administrator finds upon the presentation of a mortgage for insurance and the tender of the initial premium charge or charges so required that the mortgage complies with the provisions of this section, such mortgage may be accepted for insurance by endorsement or otherwise as the Administrator may prescribe; but no mortgage shall be accepted for insurance under this section unless the Administrator finds that the project with respect to which the mortgage is executed is economically sound. In the event that the principal obligation of any mortgage accepted for insurance under this section or section 210 is paid in full prior to the maturity date, the Administrator is further authorized in his discretion to require the payment by the mortgagee of an adjusted premium charge in such amount as the Administrator determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured under this section until such maturity date; and in the event that the principal obligation is paid in full as herein set forth and a mortgage on the same property is accepted for insurance at the time of such payment, the Administrator is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid.

"(d) The Administrator is authorized to insure, pursuant to the provisions of this section, any mortgage which (A) covers a farm upon which a farm house or other farm buildings are to be constructed or repaired, and (B) otherwise would be eligible for insurance under the provisions of paragraph (b) of this section: *Provided*, That the construction and repairs to be undertaken on such farm shall involve the expenditure for materials and labor of an amount not less than 15 per centum of the total principal obligation of said mortgage.

#### "PAYMENT OF INSURANCE

"SEC. 204. (a) In any case in which the mortgagee under a mortgage insured under section 203 or section 210 shall have foreclosed and taken possession of the mortgaged property in accordance with regulations of, and within a period to be determined by, the Administrator, or shall, with the consent of the Administrator, have otherwise acquired such property from the mortgagor after default, the mortgagee shall be entitled to receive the benefit of the insurance as hereinafter provided, upon (1) the prompt conveyance to the Administrator of title to the property which meets the requirements of rules and regulations of the Administrator in force at the time the mortgage was insured, and which is evidenced in the manner prescribed by such rules and regulations, and (2) the assignment to him of all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction or foreclosure proceedings, except such claims as may have been released with the consent of the Administrator. Upon such conveyance and assignment the obligation of the mortgagee to pay the premium charges for insurance shall cease and the Administrator shall, subject to

the cash adjustment hereinafter provided, issue to the mortgagee debentures having a total face value equal to the value of the mortgage and a certificate of claim, as hereinafter provided. For the purposes of this subsection, the value of the mortgage shall be determined, in accordance with rules and regulations prescribed by the Administrator, by adding to the amount of the original principal obligation of the mortgage which was unpaid on the date of the institution of foreclosure proceedings, or on the date of the acquisition of the property after default other than by foreclosure, the amount of all payments which have been made by the mortgagee for taxes, special assessments, water rates, which are liens prior to the mortgage, insurance on the property mortgaged, and any mortgage insurance premiums paid after either of such dates, and by deducting from such total amount any amount received on account of the mortgage after either of such dates, and any amount received as rent or other income from the property, less reasonable expenses incurred in handling the property, after either of such dates: *Provided*, That with respect to mortgages which are accepted for insurance prior to July 1, 1939, under section 203 (b) (2) (B) of this Act, and which are foreclosed before there shall have been paid on account of the principal obligation of the mortgage a sum equal to 10 per centum of the appraised value of the property as of the date the mortgage was accepted for insurance, there may be included in the debentures issued by the Administrator, on account of foreclosure costs actually paid by the mortgagee and approved by the Administrator an amount not in excess of 2 per centum of the unpaid principal of the mortgage as of the date of the institution of foreclosure proceedings, but in no event in excess of \$75.

“(b) The Administrator may at any time, under such terms and conditions as he may prescribe, consent to the release of the mortgagor from his liability under the mortgage or the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage.

“(c) Debentures issued under this section shall be in such form and denominations in multiples of \$50, shall be subject to such terms and conditions, and shall include such provisions for redemption, if any, as may be prescribed by the Administrator with the approval of the Secretary of the Treasury, and may be in coupon or registered form. Any difference between the value of the mortgage determined as herein provided and the aggregate face value of the debentures issued, not to exceed \$50, shall be adjusted by the payment of cash by the Administrator to the mortgagee from the Fund as to mortgages insured under section 203 and from the Housing Fund as to mortgages insured under section 210.

“(d) The debentures issued under this section to any mortgagee<sup>1</sup> with respect to mortgages insured under section 203 shall be executed in the name of the Mutual Mortgage Insurance Fund as obligor, shall be signed by the Administrator by either his written or engraved signature, and shall be negotiable and the debentures issued under this section to any mortgagee with respect to mortgages insured under section 210 shall be executed in the name of the Housing Insurance Fund as obligor, shall be signed by the Administrator by either his written or engraved signature, and shall be negotiable. All such debentures shall be dated as of the date foreclosure proceedings were instituted, or the property was otherwise acquired by the mortgagee after default, and shall bear interest from such date at a rate determined by the Administrator, with the approval of the Secretary of the Treasury, at the time the mortgage was offered for insurance, but not to

Issuance of debentures and certificate of claim to mortgagee.  
Determination of value of mortgage.

*Proviso.*  
Foreclosed mortgages on single-family properties.  
*Ante*, p. 10.

Inclusion of foreclosure costs in debentures; maximum amount.

Release of liability of mortgagor under mortgage, etc.

Debentures, issuance in multiples of \$50, etc.

Redemption provisions.

*Ante*, p. 10; *post*, p. 22.

Execution in name of Mutual Mortgage Insurance Fund as obligor.

Execution in name of Housing Insurance Fund as obligor.

Date and interest rate.

<sup>1</sup> So in original.

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| Maturity.   | <p>exceed 3 per centum per annum, payable semiannually on the 1st day of January and the 1st day of July of each year, and shall mature three years after the 1st day of July following the maturity date of the mortgage on the property in exchange for which the debentures were issued. Such debentures as are issued in exchange for property covered by mortgages insured under section 203 or section 207 prior to the date of enactment of the National Housing Act Amendments of 1938 shall be subject only to such Federal, State, and local taxes as the mortgages in exchange for which they are issued would be subject to in the hands of the holder of the debentures and shall be a liability of the Fund, but such debentures shall be fully and unconditionally guaranteed as to principal and interest by the United States; but any mortgagee entitled to receive any such debentures may elect to receive in lieu thereof a cash adjustment and debentures issued as hereinafter provided and bearing the current rate of interest. Such debentures as are issued in exchange for property covered by mortgages insured after the date of enactment of the National Housing Act Amendments of 1938 shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; and such debentures shall be paid out of the Fund, or the Housing Fund, as the case may be, which shall be primarily liable therefor, and they shall be fully and unconditionally guaranteed as to principal and interest by the United States, and such guaranty shall be expressed on the face of the debentures. In the event that the Fund or the Housing Fund fails to pay upon demand, when due, the principal of or interest on any debentures issued under this section, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.</p> |
| <p>Debentures in respect of prior insured mortgages, taxation provisions.</p> |  |
| <p>Guaranty by United States.</p>   |  |
| <p>Election of mortgagee to receive cash adjustment and debentures.</p>       |  |
| <p>Exemption from taxation; exception.</p>                                    |  |
| <p>Payment; funds available.</p>  |  |
| <p>If Fund or Housing Fund fails to pay.</p>                                  |  |
| <p>Certificate of claim. Amount.</p>  | <p>“(e) The certificate of claim issued by the Administrator to any mortgagee shall be for an amount which the Administrator determines to be sufficient, when added to the face value of the debentures issued and the cash adjustment paid to the mortgagee, to equal the amount which the mortgagee would have received if, at the time of the conveyance to the Administrator of the property covered by the mortgage, the mortgagor had redeemed the property and paid in full all obligations under the mortgage and a reasonable amount for necessary expenses incurred by the mortgagee in connection with the foreclosure proceedings, or the acquisition of the mortgaged property otherwise, and the conveyance thereof to the Administrator. Each such certificate of claim shall provide that there shall accrue to the holder of such certificate with respect to the face amount of such certificate, an increment at the rate of 3 per centum per annum which shall not be compounded. The amount to which the holder of any such certificate shall be entitled shall be determined as provided in subsection (f).</p>   |
| <p>Increment.</p>   |  |
| <p>Determination of amount to which certificate holder shall be entitled.</p> | <p>“(f) If the net amount realized from any property conveyed to the Administrator under this section and the claims assigned therewith, after deducting all expenses incurred by the Administrator in handling, dealing with, and disposing of such property and in collecting such claims, exceeds the face value of the debentures issued and the cash paid in exchange for such property plus all interest paid on such debentures, such excess shall be divided as follows:</p> <p>“(1) If such excess is greater than the total amount payable under the certificate of claim issued in connection with such</p>   |

property, the Administrator shall pay to the holder of such certificate the full amount so payable, and any excess remaining thereafter shall be paid to the mortgagor of such property; and

"(2) If such excess is equal to or less than the total amount payable under such certificate of claim, the Administrator shall pay to the holder of such certificate the full amount of such excess.

"(g) Notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, the Administrator shall have power to deal with, complete, rent, renovate, modernize, insure, or sell for cash or credit, in his discretion, any properties conveyed to him in exchange for debentures and certificates of claim as provided in this section; and notwithstanding any other provision of law, the Administrator shall also have power to pursue to final collection, by way of compromise or otherwise, all claims against mortgagors assigned by mortgagees to the Administrator as provided in this section: *Provided*, That section 3709 of the Revised Statutes shall not be construed to apply to any contract for hazard insurance, or to any purchase or contract for services or supplies on account of such property if the amount thereof does not exceed \$1,000.

"(h) No mortgagee or mortgagor shall have, and no certificate of claim shall be construed to give to any mortgagee or mortgagor, any right or interest in any property conveyed to the Administrator or in any claim assigned to him; nor shall the Administrator owe any duty to any mortgagee or mortgagor with respect to the handling or disposal of any such property or the collection of any such claim.

#### "CLASSIFICATION OF MORTGAGES AND REINSURANCE FUND

"SEC. 205. (a) Mortgages accepted for insurance under section 203 shall be classified into groups in accordance with sound actuarial practice and risk characteristics. Premium charges, adjusted premium charges, and appraisal and other fees received on account of the insurance of any such mortgage, the receipts derived from the property covered by the mortgage and claims assigned to the Administrator in connection therewith and all earnings on the assets of the group account shall be credited to the account of the group to which the mortgage is assigned. The principal of and interest paid and to be paid on debentures issued in exchange for property conveyed to the Administrator under section 204 in connection with mortgages insured under section 203, payments made or to be made to the mortgagee and the mortgagor as provided in section 204, and expenses incurred in the handling of the property covered by the mortgage and in the collection of claims assigned to the Administrator in connection therewith, shall be charged to the account of the group to which such mortgage is assigned.

"(b) The Administrator shall also provide, in addition to the several group accounts, a general reinsurance account, the credit in which shall be available to cover charges against such group accounts where the amounts credited to such accounts are insufficient to cover such charges. General expenses of operation of the Federal Housing Administration under this title with respect to mortgages insured under section 203 may be allocated in the discretion of the Administrator among the several group accounts or charged to the general reinsurance account, and the amount allocated to the Fund under section 202 shall be credited to the general reinsurance account; except that any expenses incurred with respect to mortgages described in section 203 (b) (2) (B) shall be charged to the general reinsurance account.

Powers of Administrator in real property transactions.

Collection of claims against mortgagors.

*Proviso.*  
Contracts for hazard insurance.  
R. S. § 3709.  
41 U. S. C. § 5.

Conveyed property; rights of Administrator.

Classification of mortgages and reinsurance fund.  
Classification into groups.

Credit of receipts and earnings to group.

Payments.

General reinsurance account.

Allocation of general expenses of operation.



Termination of insurance of group.  
When amounts sufficient to discharge unpaid principal, etc.

Outstanding mortgages in group paid.  
Method of settlement.

Vested right in credit balance denied.

Finality of Administrator's determination.

Premium charges; payment, etc., to cease if property not conveyed to Administrator.

Termination of rights.

Share of credit balance by mortgagor.

Investment of funds.

Deposit, etc., of surplus Fund moneys.

Purchase of debentures by Administrator.

Cancellation of debentures so purchased.

Rental housing insurance.

Terms defined.

"Mortgage."

"(c) The Administrator shall terminate the insurance as to any group of mortgages (1) when he shall determine that the amounts to be distributed as hereinafter set forth to each mortgagee under an outstanding mortgage assigned to such group are sufficient to pay off the unpaid principal of each such mortgage, or (2) when all the outstanding mortgages in any group have been paid. Upon such termination the Administrator shall charge to the group account the estimated losses arising from transactions relating to that group, shall transfer to the general reinsurance account an amount equal to 10 per centum of the total premium charges theretofore credited to such group account, and shall distribute to the mortgagees for the benefit and account of the mortgagors of the mortgages assigned to such group the balance remaining in such group account. Any such distribution to mortgagees shall be made equitably and in accordance with sound actuarial and accounting practice.

"(d) No mortgagor or mortgagee of any mortgage insured under section 203 shall have any vested right in a credit balance in any such account, or be subject to any liability arising out of the mutuality of the Fund, and the determination of the Administrator as to the amount to be paid by him to any mortgagee or mortgagor shall be final and conclusive.

"(e) In the event that any mortgagee under a mortgage insured under this title forecloses on the mortgaged property but does not convey such property to the Administrator in accordance with section 204, and the Administrator is given written notice thereof, or in the event that the mortgagor pays the obligation under the mortgage in full prior to the maturity thereof, and the mortgagee pays any adjusted premium charge required under the provisions of section 203 (c), and the Administrator is given written notice by the mortgagee of the payment of such obligation, the obligation to pay any subsequent premium charge for insurance shall cease, and all rights of the mortgagee and the mortgagor under section 204 shall terminate as of the date of such notice. Upon such termination the mortgagor under a mortgage insured under section 203 shall be entitled to receive a share of the credit balance of the group account to which the mortgage has been assigned in such amount as the Administrator shall determine to be equitable and not inconsistent with the solvency of the group account and of the Fund.

#### "INVESTMENT OF FUNDS

"SEC. 206. Moneys in the Fund not needed for the current operations of the Federal Housing Administration shall be deposited with the Treasurer of the United States to the credit of the Fund, or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. The Administrator may, with the approval of the Secretary of the Treasury, purchase in the open market debentures issued under the provisions of section 204. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued, and the several group accounts to which such debentures have been charged shall be charged with the amounts used in making such purchases.

#### "RENTAL HOUSING INSURANCE

"SEC. 207. (a) As used in this section—

"(1) The term 'mortgage' means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof

(A) under a lease for not less than ninety-nine years which is renewable or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed, upon which there is located or upon which there is to be constructed a building or buildings designed principally for residential use; and the term 'first mortgage' means such classes of first liens as are commonly given to secure advances (including but not being limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State, district, or Territory in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and may be in the form of trust mortgages or mortgage indentures or deeds of trust securing notes, bonds, or other credit instruments.

"First mortgage."

"(2) The term 'mortgagee' means the original lender under a mortgage, and its successors and assigns, and includes the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee therein named.

"Mortgagee."

"(3) The term 'mortgagor' means the original borrower under a mortgage and its successors and assigns.

"Mortgagor."

"(4) The term 'maturity date' means the date on which the mortgage indebtedness would be extinguished if paid in accordance with the periodic payments provided for in the mortgage.

"Maturity date."

"(5) The term 'slum or blighted area' means any area where dwellings predominate which, by reason of dilapidation, overcrowding, faulty arrangement or design, lack of ventilation, light or sanitation facilities, or any combination of these factors, are detrimental to safety, health, or morals.

"Slum or blighted area."

"(6) The term 'rental housing' means housing, the occupancy of which is permitted by the owner thereof in consideration of the payment of agreed charges, whether or not, by the terms of the agreement, such payment over a period of time will entitle the occupant to the ownership of the premises.

"Rental housing."

"(b) In addition to mortgages insured under section 203, the Administrator is authorized to insure mortgages as defined in this section (including advances on such mortgages during construction) which cover property held by—

Additional insurance provisions on certain property.

"(1) Federal or State, instrumentalities, municipal corporate instrumentalities of one or more States, or limited dividend corporations formed under and restricted by Federal or State housing laws as to rents, charges, capital structure, rate of return, or methods of operation; or

Government instrumentalities, etc.

"(2) Private corporations, associations, cooperative societies which are legal agents of owner-occupants, or trusts formed or created for the purpose of rehabilitating slum or blighted areas, or providing housing for rent or sale, and which possess powers necessary therefor and incidental thereto, and which, until the termination of all obligations of the Administrator under such insurance, are regulated or restricted by the Administrator as to rents or sales, charges, capital structure, rate of return, and methods of operation to such extent and in such manner as to provide reasonable rentals to tenants and a reasonable return on the investment. The Administrator may make such contracts with, and acquire for not to exceed \$100 such stock or interest in, any such corporation, association, cooperative society, or trust as he may deem necessary to render effective such restriction or regulation. Such stock or interest shall be paid for out of such Housing Fund, and shall be redeemed by the corporation, association, cooperative society, or trust at par upon the termination of all obligations of the Administrator under the insurance.

Private corporations, etc.  
Trusts.

Regulation.

Acquisition of stock by Administrator.

Redemption by corporation, etc.

Eligibility provisions.  
Maximum amount.

Amortization and interest.

Releases.

Property to be economically sound.  
*Post*, p. 22.

Premium charge.

Appraisal charge.

*Proviso.*  
Limitation.

Adjusted premium charge if obligation paid prior to maturity.

Housing Insurance Fund created.  
Use as revolving fund.

*Post*, p. 22.

Operating expenses chargeable to Fund.

Failure to make payment deemed default under mortgage.

Receipt of insurance benefits by mortgagee; conditions.

"(c) To be eligible for insurance under this section a mortgage on any property or project shall involve a principal obligation in an amount not to exceed \$5,000,000 and not to exceed 80 per centum of the amount which the Administrator estimates will be the value of the property or project when the proposed improvements are completed, and such part thereof as may be attributable to dwelling use shall not exceed \$1,350 per room, and the mortgage shall provide for complete amortization by periodic payments within such term as the Administrator shall prescribe, and shall bear interest (exclusive of premium charges for insurance) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time. The Administrator may consent to the release of a part or parts of the mortgaged property from the lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release. No mortgage shall be accepted for insurance under this section or section 210 unless the Administrator finds that the property or project, with respect to which the mortgage is executed, is economically sound.

"(d) The Administrator shall collect a premium charge for the insurance of mortgages under this section and section 210 which shall be payable annually in advance by the mortgagee, either in cash or in debentures issued by the Administrator under this title at par plus accrued interest. In addition to the premium charge herein provided for, the Administrator is authorized to charge and collect such amounts as he may deem reasonable for the appraisal of a property or project offered for insurance and for the inspection of such property or project during construction: *Provided*, That such charges for appraisal and inspection shall not aggregate more than one-half of 1 per centum of the original principal face amount of the mortgage.

"(e) In the event that the principal obligation of any mortgage accepted for insurance under this section is paid in full prior to the maturity date, the Administrator is authorized in his discretion to require the payment by the mortgagee of an adjusted premium charge in such amount as the Administrator determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured until such maturity date.

"(f) There is hereby created a Housing Insurance Fund (herein referred to as the 'Housing Fund') which shall be used by the Administrator as a revolving fund for carrying out the provisions of this section and section 210, and the Administrator is hereby directed to transfer immediately to such Housing Fund the sum of \$1,000,000 from that part of the Fund now held by him arising from appraisal fees heretofore collected by him. General expenses of operations of the Federal Housing Administration under this section and section 210 may be charged to the Housing Fund.

"(g) The failure of the mortgagor to make any payment due under or provided to be paid by the terms of a mortgage insured under this section shall be considered a default under such mortgage and, if such default continues for a period of thirty days, the mortgagee shall be entitled to receive the benefits of the insurance as hereinafter provided, upon assignment, transfer, and delivery to the Administrator, within a period and in accordance with rules and regulations to be prescribed by the Administrator of (1) all rights and interests arising under the mortgage so in default; (2) all claims of the mortgagee against the mortgagor or others, arising out of

the mortgage transactions; (3) all policies of title or other insurance or surety bonds or other guaranties and any and all claims thereunder; (4) any balance of the mortgage loan not advanced to the mortgagor; (5) any cash or property held by the mortgagee, or to which it is entitled, as deposits made for the account of the mortgagor and which have not been applied in reduction of the principal of the mortgage indebtedness; and (6) all records, documents, books, papers, and accounts relating to the mortgage transaction. Upon such assignment, transfer, and delivery the obligation of the mortgagee to pay the premium charges for mortgage insurance shall cease, and the Administrator shall, subject to the cash adjustment provided for in subsection (j), issue to the mortgagee a certificate of claim as provided in subsection (h), and debentures having a total face value equal to the original principal face amount of the mortgage plus such amount as the mortgagee may have paid for (A) taxes, special assessments, and water rates, which are liens prior to the mortgage; (B) insurance on the property; and (C) reasonable expenses for the completion and preservation of the property, less the sum of (i) that part of the amount of the principal obligation that has been repaid by the mortgagor, (ii) an amount equivalent to 2 per centum of the unpaid amount of such principal obligation, and (iii) any net income received by the mortgagee from the property: *Provided*, That the mortgagee, in the event of a default under the mortgage, may, at its option and in accordance with rules and regulations to be prescribed by the Administrator, proceed to foreclose on or otherwise acquire the property as provided in the case of a mortgage which is in default under section 210 and receive the benefits of the insurance as provided in such section.

“(h) The certificate of claim issued by the Administrator to any mortgagee upon the assignment of the mortgage to the Administrator shall be for an amount which the Administrator determines to be sufficient, when added to the face value of the debentures issued and the cash adjustment paid to the mortgagee, to equal the amount which the mortgagee would have received if, on the date of the assignment, transfer and delivery to the Administrator provided for in subsection (g), the mortgagor had extinguished the mortgage indebtedness by payment in full of all obligations under the mortgage. Each such certificate of claim shall provide that there shall accrue to the holder of such certificate with respect to the face amount of such certificate, an increment at the rate of 3 per centum per annum which shall not be compounded. If the net amount realized from the mortgage, and all claims in connection therewith, so assigned, transferred, and delivered, and from the property covered by such mortgage and all claims in connection with such property, after deducting all expenses incurred by the Administrator in handling, dealing with, acquiring title to, and disposing of such mortgage and property and in collecting such claims, exceeds the face value of the debentures issued and the cash adjustment paid to the mortgagee plus all interest paid on such debentures, such excess shall be divided as follows:

“(1) If such excess is greater than the total amount payable under the certificate of claim issued in connection with such property, the Administrator shall pay to the holder of such certificate the full amount so payable, and any excess remaining thereafter shall be paid to the mortgagor of such property; and

“(2) If such excess is equal to or less than the total amount payable under such certificate of claim, the Administrator shall pay to the holder of such certificate the full amount of such excess.

Termination of obligation to pay premium charges.

Certificate of claim to mortgagee. Debentures equal to original amount of mortgage. Additional amount.

Deductions.

*Proviso.* Optional foreclosure by mortgagee.

*Post*, p. 22.

Certificate of claim, determination of amount to which mortgagee entitled.

Increment provided.

If net amount realized from mortgage, etc., in excess of debentures; division of excess.

Execution of debentures, provisions governing.

Interest rate, limitation.

Maturity.

Taxation provisions.

Payable from Housing Fund.  
Guaranty by United States.

Payment if Housing Fund fails to pay when due.

Issue of debentures in multiples of \$50.

Form.

Administrator, powers and functions.

Proviso.  
Foreclosure.

Bidding at sale for Housing Fund protection.

"(i) Debentures issued under this section upon the assignment of an insured mortgage to the Administrator shall be executed in the name of the Housing Insurance Fund as obligor, shall be signed by the Administrator, by either his written or engraved signature, and shall be negotiable. They shall bear interest at a rate determined by the Administrator, with the approval of the Secretary of the Treasury, at the time the mortgage was insured, but not to exceed 3 per centum per annum payable semiannually on the 1st day of January and the 1st day of July of each year, and shall mature three years after the 1st day of July following the maturity date of the mortgage in exchange for which the debentures were issued. Such debentures as are issued in exchange for mortgages insured after the date of enactment of the National Housing Act Amendments of 1938 shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. They shall be paid out of the Housing Fund which shall be primarily liable therefor, and they shall be fully and unconditionally guaranteed as to principal and interest by the United States, and such guaranty shall be expressed on the face of the debentures. In the event the Housing Fund fails to pay upon demand, when due, the principal of or interest on any debentures so guaranteed, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon, to the extent of the amount so paid, the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.

"(j) Debentures issued under this section shall be in such form and denominations in multiples of \$50, shall be subject to such terms and conditions, and shall include such provision for redemption, if any, as may be prescribed by the Administrator with the approval of the Secretary of the Treasury, and may be in coupon or registered form. Any difference between the amount of debentures to which the mortgagee is entitled under this section, and the aggregate face value of the debentures issued, not to exceed \$50, shall be adjusted by the payment of cash by the Administrator to the mortgagee from the Housing Fund.

"(k) The Administrator is hereby authorized either to (1) acquire possession of and title to any property, covered by a mortgage insured under this section and assigned to him, by voluntary conveyance in extinguishment of the mortgage indebtedness, or (2) institute proceedings for foreclosure on the property covered by any such insured mortgage and prosecute such proceedings to conclusion. The Administrator shall so acquire possession of and title to the property by voluntary conveyance or institute foreclosure proceedings as provided in this section within a period of one year from the date on which any such mortgage becomes in default under its terms or under the regulations prescribed by the Administrator: *Provided*, That the foregoing provisions shall not be construed in any manner to limit the power of the Administrator to foreclose on the mortgaged property after the expiration of such period, or the right of the mortgagor to reinstate the mortgage by the payment, prior to the expiration of such period, of all delinquencies thereunder. The Administrator at any sale under foreclosure may, in his discretion, for the protection of the Housing Fund, bid any sum up to but not in excess of the total unpaid indebtedness secured by the mortgage, plus taxes, insurance, foreclosure costs, fees, and other expenses, and

may become the purchaser of the property at such sale. The Administrator is authorized to pay from the Housing Fund such sums as may be necessary to defray such taxes, insurance, costs, fees, and other expenses in connection with the acquisition or foreclosure of property under this section. Pending such acquisition by voluntary conveyance or by foreclosure, the Administrator is authorized, with respect to any mortgage assigned to him under the provisions of subsection (g), to exercise all the rights of a mortgagee under such mortgage, including the right to sell such mortgage, and to take such action and advance such sums as may be necessary to preserve or protect the lien of such mortgage.

“(1) Notwithstanding any other provisions of law relating to the acquisition, handling, or disposal of real and other property by the United States, the Administrator shall also have power, for the protection of the interests of the Housing Fund, to pay out of the Housing Fund all expenses or charges in connection with, and to deal with, complete, reconstruct, rent, renovate, modernize, insure, make contracts for the management of, or establish suitable agencies for the management of, or sell for cash or credit or lease in his discretion, any property acquired by him under this section; and notwithstanding any other provision of law, the Administrator shall also have power to pursue to final collection by way of compromise or otherwise all claims assigned and transferred to him in connection with the assignment, transfer, and delivery provided for in this section, and at any time, upon default, to foreclose on any property secured by any mortgage assigned and transferred to or held by him: *Provided*, That section 3709 of the Revised Statutes shall not be construed to apply to any contract for hazard insurance, or to any purchase or contract for services or supplies on account of such property if the amount thereof does not exceed \$1,000.

“(m) Premium charges, adjusted premium charges, and appraisal and other fees, received on account of the insurance of any mortgage insured under this section or section 210, the receipts derived from any such mortgage or claim assigned to the Administrator and from any property acquired by the Administrator, and all earnings on the assets of the Housing Fund, shall be credited to the Housing Fund. The principal of and interest paid and to be paid on debentures issued in exchange for any mortgage or property insured under this section or section 210, cash adjustments, and expenses incurred in the handling of such mortgages or property and in the foreclosure and collection of mortgages and claims assigned to the Administrator under this section or section 210, shall be charged to the Housing Fund.

“(n) In the event that a mortgage insured under this section becomes in default through failure of the mortgagor to make any payment due under or provided to be paid by the terms of the mortgage and such mortgage continues in default for a period of thirty days, but the mortgagee does not foreclose on or otherwise acquire the property, or does not assign and transfer such mortgage and the credit instrument secured thereby to the Administrator, in accordance with subsection (g), and the Administrator is given written notice thereof, or in the event that the mortgagor pays the obligation under the mortgage in full prior to the maturity thereof, and the mortgagee pays any adjusted premium charge required under the provisions of subsection (e), and the Administrator is given written notice by the mortgagee of the payment of such obligation, the obligation to pay the annual premium charge for insurance shall cease, and all rights of the mortgagee and the mortgagor under this section shall terminate as of the date of such notice.

Payment of taxes, etc.

Exercise of rights pending acquisition.

Powers of Administrator with respect to acquired property.

Establishment of agencies.

Collection of claims.

Foreclosures.

*Proviso.*  
Contracts for hazard insurance.  
R. S. § 3709.  
41 U. S. C. § 5.

Credit of charges and fees received to Housing Fund.

Designated payments chargeable to Housing Fund.

Termination of rights of mortgagor and mortgagee.

Failure of mortgagee to foreclose, etc., or assign mortgage in default.

Payment prior to maturity by mortgagor and payment of adjusted premium charge by mortgagee.

Premium charges, cessation.

Existing mortgages;  
reissue of mortgage  
insurance.

“(o) The Administrator, with the consent of the mortgagee and the mortgagor of a mortgage insured under this section prior to the date of enactment of the National Housing Act Amendments of 1938, shall be empowered to reissue such mortgage insurance in accordance with the provisions of this section as amended by such Act, and any such insurance not so reissued shall not be affected by the enactment of such Act.

Deposit, etc., of  
surplus moneys.

“(p) Moneys in the Housing Fund not needed for current operations of this section and section 210 shall be deposited with the Treasurer of the United States to the credit of the Housing Fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. The Administrator may, with the approval of the Secretary of the Treasury, purchase in the open market debentures issued under the provisions of this section and section 204. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this subsection. Debentures so purchased shall be canceled and not reissued.

Purchases of debentures in open market.

*Ante*, p. 12.

Taxation provisions.

#### “TAXATION PROVISIONS

Real property acquired by Administrator.

“SEC. 208. Nothing in this title shall be construed to exempt any real property acquired and held by the Administrator under this title from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

Statistical and economic surveys.

#### “STATISTICAL AND ECONOMIC SURVEYS

Authority to make.

“SEC. 209. The Administrator shall cause to be made such statistical surveys and legal and economic studies as he shall deem useful to guide the development of housing and the creation of a sound mortgage market in the United States, and shall publish from time to time the results of such surveys and studies. Expenses of such studies and surveys, and expenses of publication and distribution of the results of such studies and surveys, shall be charged as a general expense of the Fund and the Housing Fund in such proportion as the Administrator shall determine.

Publication of results.  
Expenses.

Additional housing insurance.

#### “ADDITIONAL HOUSING INSURANCE

Advances during construction.

“SEC. 210. (a) In addition to mortgages insured under sections 203 and 207 the Administrator is authorized to insure mortgages as defined in section 207 (a) (1), including advances on such mortgages during construction, covering property upon which there is located, or upon which there is to be constructed one or more multifamily dwellings or a group of not less than ten single-family dwellings: *Provided*, That the property shall have been approved for mortgage insurance prior to the beginning of construction.

Multifamily, etc., dwellings.

*Provided*.  
Approval prior to beginning of construction.  
Eligibility.

“(b) To be eligible for insurance under this section a mortgage shall—

Amount of obligation involved.

“(1) Involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Administrator shall approve) in an amount in excess of \$16,000 but not in excess of \$200,000 and not in excess of 80 per centum of the amount which the Administrator estimates will be the value of the property when the proposed improvements are completed, and such part thereof as may be attributable to dwelling use shall not exceed \$1,150 per room.

"(2) Have a maturity satisfactory to the Administrator, but not to exceed twenty-one years and contain complete amortization provisions satisfactory to the Administrator.

Maturity and amortization provisions.

"(3) Bear interest (exclusive of premium charges for insurance) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time.

Interest.

"(4) Contain such terms, conditions, and provisions with respect to advances during construction, assurance of completion, recognition of equitable rights of contract purchasers in good standing, release of part of the mortgaged premises from the lien of the mortgage, insurance, repairs, alterations, payment of taxes, default and management reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Administrator may in his discretion prescribe.

Terms, conditions, and other provisions.

#### "RULES AND REGULATIONS

"SEC. 211. The Administrator is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this title."

Rules and regulations.

SEC. 4. Section 301 (a) of such Act is amended to read as follows:

"SEC. 301. (a) The Administrator is further authorized and empowered to provide for the establishment of national mortgage associations as hereinafter provided which shall be authorized, subject to rules and regulations to be prescribed by the Administrator—

48 Stat. 1252.  
12 U. S. C. § 1716(d);  
Supp. III, § 1716(d).

National mortgage associations.

Establishment authorized.

Authorized functions.

Real-estate loans accepted for insurance, etc.

Proviso.

Restriction.

Ante, p. 10.

"(1) To make real-estate loans which are accepted for insurance or insured under Title II of this Act: *Provided*, That no such association controlled or operated by the United States or any agency of the United States shall make any real-estate loan which is accepted for insurance or insured under section 203 of this Act;

Purchase, service, or sale of mortgages insured under Title II.

Uninsured first mortgages.

"(2) To purchase, service, or sell any mortgages, or partial interests therein, which are insured under Title II of this Act;

"(3) To purchase, service, or sell uninsured first mortgages and such other liens as are commonly given under the laws of the State, district, or Territory in which the real estate is located to secure advances upon real estate held in fee simple, or under a lease for not less than ninety-nine years which is renewable, or under a lease having a period of not less than fifty years to run from the date the mortgage was executed, together with the credit instruments, if any, secured thereby; but the amount of the principal obligation of any such uninsured mortgage shall not exceed 60 per centum of the appraised value of the property as of the date the mortgage is purchased by the association; and

Limitation on amount of principal obligation.

"(4) To borrow money for any of the foregoing purposes through the issuance of notes, bonds, debentures, or other such obligations as hereinafter provided."

Issuance of notes, etc.

SEC. 5. Section 301 (d) of such Act is amended to read as follows:

"(d) No association shall transact any business except such as is incidental to its organization until it has been authorized to do so by the Administrator. Each such association shall have a capital stock of a par value of not less than \$2,000,000, and no authorization to commence business shall be granted by the Administrator to any such association until he is satisfied that such capital stock has been subscribed for at not less than par and that at least 25 per centum thereof has been paid in cash, or in Government securities at their par value, or in first mortgages or such other first liens as are described in section 301 (a) hereof, which mortgages or liens shall be

Limitation on transaction of business.

Capital stock requirements.



taken at such value as the Administrator may determine, not exceeding (except as to mortgages insured under title II of this Act) 60 per centum of the appraised value of the property as of the date of subscription, and that the remainder of the subscription to such capital stock is payable in the same manner and at such time as may be determined by the Administrator: *Provided*, That no association shall issue notes, bonds, debentures, or other such obligations until such time as such subscriptions are paid in full in cash or Government securities at their par value or in mortgages or other liens as hereinbefore set forth."

*Proviso.*  
Restriction on issuance of obligations.

12 U. S. C. § 1717;  
Supp. III, § 1717.  
Outstanding obligations.

Aggregate amount.

*Ante*, p. 9.

Borrowing by association, restriction.

Acceptance of its notes, etc., in payment of obligations due.  
*Proviso.*  
Cancellation.

12 U. S. C. § 1718.  
Investment of funds.  
*Ante*, p. 23.

Maintenance of reserves.

12 U. S. C. § 1722.  
Taxation provisions.  
Notes, bonds, etc., exempt; exception.

National mortgage associations, exemption.

Real property of association not included.

12 U. S. C. § 1731.  
Penalties.  
Misrepresentations.

SEC. 6. Section 302 of such Act is amended to read as follows:

"SEC. 302. Each national mortgage association is authorized to issue and have outstanding at any time notes, bonds, debentures, or other such obligations in an aggregate amount not to exceed (1) twenty times the amount of its paid-up capital and surplus, and in no event to exceed (2) the current unpaid principal of mortgages held by it and insured under the provisions of title II of this Act, plus the amount of its cash on hand and on deposit and the amortized value of its investments in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. No national mortgage association shall borrow money otherwise than through the issuance of such notes, bonds, debentures, or other obligations, except with the approval of the Administrator and under such rules and regulations as he shall prescribe. An association may, if its bylaws so provide, accept any notes, bonds, debentures, or other obligations issued by it in payment of obligations due it at par plus accrued interest: *Provided*, That such notes, bonds, debentures, or other obligations so accepted shall be canceled and not reissued."

SEC. 7. Section 303 of such Act is amended to read as follows:

"SEC. 303. Moneys of any national mortgage association not invested in first mortgages or other liens as provided in section 301, or in operating facilities approved by the Administrator, shall be kept in cash on hand or on deposit, or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States; except that each such association shall keep and maintain such reserves as the Administrator shall by rules and regulations prescribe, and may purchase in the open market notes, bonds, debentures, or other such obligations issued under section 302."

SEC. 8. Section 307 of such Act is amended to read as follows:

"SEC. 307. All notes, bonds, debentures, or other obligations issued by any national mortgage association shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. Every national mortgage association, including its franchise, capital, reserves, surplus, mortgage loans, income, and stock, shall be exempt from taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. Nothing herein shall be construed to exempt the real property of such association from taxation by any State, county, municipality, or local taxing authority to the same extent according to its value as other real property is taxed."

SEC. 9. Section 512 (a) of such Act is amended to read as follows:

"SEC. 512. (a) Whoever, for the purpose of obtaining any loan or advance of credit from any person, partnership, association, or corporation with the intent that such loan or advance of credit shall

be offered to or accepted by the Federal Housing Administration for insurance, or for the purpose of obtaining any extension or renewal of any loan, advance of credit, or mortgage insured by the said Administration, or the acceptance, release, or substitution of any security on such a loan, advance of credit, or for the purpose of influencing in any way the action of the said Administration under this Act, makes, passes, utters, or publishes, or causes to be made, passed, uttered, or published any statement, knowing the same to be false, or alters, forges, or counterfeits, or causes or procures to be altered, forged, or counterfeited, any instrument, paper, or document, or utters, publishes, or passes as true, or causes to be uttered, published, or passed as true, any instrument, paper, or document, knowing it to have been altered, forged, or counterfeited, or willfully overvalues any security, asset, or income, shall be punished by a fine of not more than \$3,000 or by imprisonment for not more than two years, or both."

Penalty for violation.

SEC. 10. Section 512 of such Act is further amended by adding at the end thereof the following new subsections:

Subsections added.

"(d) No individual, association, partnership, or corporation, shall hereafter, while the Federal Housing Administration exists, use the words 'Federal Housing' or 'National Housing', or any combination or variation of any of these words, alone or with other words, as the name under which he or it shall do business, which shall have the effect of leading the public to believe that any such individual, association, partnership, or corporation has any connection with, or authorization from, the Federal Housing Administration, the Government of the United States, or any instrumentality thereof, where such connection or authorization does not, in fact, exist. No individual, association, partnership, or corporation shall falsely advertise, or otherwise represent falsely by any device whatsoever, that any project or business in which he or it is engaged, or product which he or it manufactures, deals in, or sells, has been in any way endorsed, authorized, or approved by the Federal Housing Administration, or by the Government of the United States, or by any instrumentality thereof. Every violation of this subsection shall be punished by a fine not exceeding \$1,000 or by imprisonment not exceeding one year, or both.

Misuse of words.

False advertisements, etc.

Penalty for violation.

"(e) Whoever, for the purpose of inducing the insurance of the accounts of any institution by the Federal Savings and Loan Insurance Corporation or for the purpose of obtaining any extension or renewal of such insurance by said Corporation or for the purpose of influencing in any way the action of the said Corporation under this Act, makes, passes, utters, or publishes, or causes to be made, passed, uttered, or published, any statement, knowing the same to be false, or utters, forges, or counterfeits, or causes or procures to be uttered, forged, or counterfeited, any instrument, paper, or document, or utters, publishes, or passes as true, or causes to be uttered, published, or passed as true, any instrument, paper, or document, knowing it to have been uttered, forged, or counterfeited, or willfully overvalues any security, asset, or income, of any institution insured or applying for insurance by said Corporation, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both.

False statements, forgeries, etc.

Penalty for violation.

"(f) Any person who willfully and knowingly makes, circulates, or transmits to another or others any statement, or rumor written, printed or by word of mouth, which is untrue in fact and is directly or by inference derogatory to the financial condition or affects the solvency or financial standing of the Federal Savings and Loan Insurance Corporation, or who knowingly counsels, aids, procures, or induces another to start, transmit, or circulate any such statement

Statements derogatory to financial condition of Corporation.

Penalty for violation.

New section.  
12 U. S. C. § 1732.

Application of designated laws to Act.  
49 Stat. 294, 295; 12 U. S. C., Supp. III, § 1430.

R. S. § 5136; 49 Stat. 709; 12 U. S. C., Supp. III, § 24.  
49 Stat. 706; 12 U. S. C., Supp. III, § 371.

49 Stat. 664; 11 U. S. C., Supp. III, § 207; 203, p. 840.  
49 Stat. 3; 15 U. S. C., Supp. III, § 606i.

Life insurance companies, D. C.  
48 Stat. 1152.

Bonds, etc., secured by insured mortgages.  
*Provido.*  
Ratio restrictions not to apply.

48 Stat. 1152.

Bonds, etc., of national mortgage associations.

R. S. § 5136; 49 Stat. 709; 12 U. S. C., Supp. III, § 24.

National banking associations.  
Investments in obligations of national mortgage associations.

or rumor, is guilty of a misdemeanor punishable by a fine of not more than \$1,000 or by imprisonment of not exceeding one year, or both."

SEC. 11. Title V of such Act is further amended by adding after section 513 thereof the following new section:

"SEC. 514. The provisions of section 10 (a) 1 and 10b of the Federal Home Loan Bank Act, as amended (49 Stat. 294, 295); paragraph seventh of section 5136 of the Revised Statutes, as amended (49 Stat. 709); section 24 of the Federal Reserve Act, as amended (49 Stat. 706); subsection (n) of section 77B of the Bankruptcy Act, as amended (49 Stat. 664); section 5 (c) of the Act approved January 31, 1935, continuing and extending the functions of the Reconstruction Finance Corporation (49 Stat. 1); and all other provisions of law establishing rights under mortgages insured in accordance with the provisions of the National Housing Act, shall be held to apply to such Act, as amended."

SEC. 12. (a) Section 35 of chapter III of the Act entitled "An Act to regulate the business of life insurance in the District of Columbia", approved June 19, 1934 (48 Stat. 1152), is amended by inserting between paragraph (3) and paragraph (4) of such section a new paragraph to read as follows:

"(3a) Bonds or notes secured by mortgages insured by the Federal Housing Administrator: *Provided*, That the restrictions in paragraph (3) of this section in regard to the ratio of the loan to the value of the property shall not apply to such insured mortgages."

(b) Paragraph (4) of section 35 of such Act is amended to read as follows:

"(4) Bonds or other evidences of indebtedness of the farm loan banks authorized under the Federal Farm Loan Act or Acts amendatory thereof or supplementary thereto, and bonds or other evidences of indebtedness of national mortgage associations."

SEC. 13. The last sentence of paragraph "Seventh" of section 5136 of the Revised Statutes, as amended, is further amended by inserting before the colon after the words "guaranteed as to principal and interest by the United States" a comma and the following: "or obligations of national mortgage associations".

Approved, February 3, 1938.

## [CHAPTER 14]

### JOINT RESOLUTION

Making appropriations available for administration of the Sugar Act of 1937 and for crop production and harvesting loans.

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,*

### LEGISLATIVE

Legislative.

Senate.

SENATE

Expenses.

That the following sums are hereby appropriated, out of any money in the Treasury not otherwise appropriated, for expenses of the Senate, namely:

Inquiries and investigations.

For expenses of inquiries and investigations ordered by the Senate, including compensation to stenographers of committees, at such rate as may be fixed by the Committee to Audit and Control the Contingent Expenses of the Senate, but not exceeding 25 cents per hundred

February 4, 1938  
[H. J. Res. 671]  
[Pub. Res., No. 78]

Appropriations,  
Sugar Act of 1937, etc.